Primary FS
LIFETIME PARTNERS



Your guide to equity release

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What is equity release?

Equity release is a way of releasing the wealth tied up in your property without having to move to another home. You could either borrow against the value of your home, or sell all or part of it in exchange for a lump sum or regular monthly income.

It may also be possible to release more equity later in life, depending on the type of plan, how much equity remains, and the lender or provider's criteria at the time.

Equity release is designed to help customers typically over the age of 55 years who own their property outright or have sufficient equity in their property, subject to individual lender criteria.



This communication does not constitute advice and should not be taken as a recommendation to purchase any of the products or services mentioned. Before taking any decisions, we suggest you seek professional advice.

The different types of equity release

There are two main types of equity release: lifetime mortgages and home reversion plans.

To help you make an informed decision, we have outlined the differences between each type of equity release and what factors to consider. To support this explanation, we've included a simple at-a-glance table on **page 5** so you can compare both options side by side, based on questions you might have.

Lifetime mortgages 1

A lifetime mortgage is a type of mortgage where you choose to extract your funds through a single lump sum or in smaller amounts over time, to the maximum limit agreed with your provider.

With a lifetime mortgage, it may be possible to retain some of the property's value as an inheritance for family members, depending on how much is borrowed, how long the mortgage runs, and how interest builds up over time.

By choosing a lifetime mortgage, you retain full ownership of your home. The interest rate is usually fixed for life and the interest can be rolled up and added to the loan over time. The loan and rolled-up interest are repaid by your estate when you pass away or, depending on your circumstances, move into care permanently. For a couple, it would be based on the last to survive.

Some lifetime mortgages offer the option to make monthly interest payments in part or in full, which can help manage the size of the debt over time.

The amount released depends on your age and the value of the property. Some providers can offer larger sums to those with particular past or present medical conditions, or lifestyle factors.

Home reversion plans 2

A home reversion plan allows you to access all, or part, of the value of your property while retaining the right to remain in it typically rent free. With home reversion, the provider will purchase all, or a percentage, of your house.

You will understand precisely what portion of the property you have parted with and what has been ring-fenced for later use. The percentage you retain in your property always remains the same, regardless of the change in property value, unless you decide to take further cash releases.

At the end of the plan, your property is sold, and the sale proceeds are allocated according to the remaining proportions of ownership.

Like lifetime mortgages, you may be able to access more funds, depending on your age and medical conditions. You will be provided with a cash lump sum or regular payments, and a lifetime lease guaranteeing you the right to stay in your property rent-free for the rest of your life. You'll be able to live in your home freely, precisely as before.

What to consider

For many people, unlocking money tied up in property can make a real difference, whether you're thinking about family, consolidating debt, or even home improvements. However, you should consider several important factors before deciding on equity release.

Cost

Equity release can be more expensive when compared to an ordinary mortgage. When taking out a lifetime mortgage, you will typically be charged a higher interest rate than you would on a standard mortgage, and the debt can grow quickly if the interest is rolled up.

The plan provider typically charges a higher interest rate than a standard mortgage, reflecting the long-term nature of the loan, a rate that is usually fixed for life, and safeguards such as a no negative equity guarantee, meaning you or your estate will not owe more than the value of your home when it is sold, provided the plan terms are met.

Term

For lifetime mortgages, there is no fixed 'term' or date by which you are expected to repay your loan. The interest rate of a lifetime mortgage is usually fixed for the life of the contract. If you take additional borrowing, a separate interest rate may apply to that additional amount.

Value of home

In most cases, you are more likely to get a higher value sale when selling your home in the open market rather than through a home reversion plan.

Future needs

If you release equity from your home, you may be unable to rely on your property for money you need later in your retirement, such as long-term care.

Flexibility

A lifetime mortgage can impact your flexibility. For example, if you move home and take your lifetime mortgage with you, you may not have enough equity in your home when you decide to downsize later in life. In this instance, you may have to repay some of the mortgage.

Impact on state benefits

The money you receive from equity release may affect your entitlement to means-tested state benefits.

Tax

You will not usually have to pay Income or Capital Gains Tax on the amount you receive when it is released from your main home.

Fees/charges

You must pay arrangement fees including solicitors costs as well as any advice charges. If you change your mind, there could also be early repayment charges to pay. These typically do not apply on death or permanent entry into long-term care, subject to the terms of the plan.

Estate planning

When you take an interest roll-up plan, the interest added over time will reduce the value of your estate and the amount available to pass on as an inheritance.



Equity release at a glance

Understanding how different equity release plans work can help you decide which option may be right for you.

The table below sets out the key features of lifetime mortgages and home reversion plans side by side, so you can compare how they work, what they cost, and what they could mean for your home and inheritance. This doesn't replace personalised advice, but it gives you a clear overview of the main differences at a glance.

	Lifetime mortgage	Home reversion plan
What is it?	A loan secured against your home. You can release money as a lump sum and/or in smaller amounts over time, up to an agreed limit, while keeping ownership of your home.	You sell all or part of your home to a provider in exchange for a lump sum or regular income, while keeping the right to live in the property for life.
Do I still own my home?	Yes. You remain the legal owner of your home for life (or until you move into permanent care).	No. You sell part or all of your home, but continue living in it under a lifetime lease, usually rent free, subject to the plan terms.
When is it repaid or settled?	The loan plus any interest is usually repaid when you die or move into long term care, normally from the sale of your home. There is no fixed end date.	The plan usually ends when you die or move into long term care. The home is sold and the sale proceeds are shared based on the percentage you retained and the provider's share.
How does interest work?	You can usually choose to pay the interest each month or it can be rolled up and added to the loan. If interest is rolled up, it compounds over time and increases the amount owed. Rates are often fixed, but this depends on the plan.	No interest is charged, as this is not a loan. The provider's return comes from the share of the property they own when it is sold.
How much can I release?	This depends on your age, property value, and sometimes your health or lifestyle. Certain health conditions may allow you to release more.	This depends on how much of the property you sell. The amount received is usually less than selling on the open market, as you keep the right to live there for life.
Can I take more money later?	Sometimes. This may be possible if you choose a drawdown plan and funds remain available, but it is subject to the lender's criteria at the time and is not guaranteed.	Only if you have not already sold 100% of the property and the provider agrees. This is not guaranteed.
Will it affect any inheritance I leave?	Yes. Any interest added to the loan reduces the value of your estate. Some plans may allow you to protect a portion of your property for inheritance, depending on the product and choices you make.	Yes. Because you no longer own the full property, the provider receives their share of the sale proceeds. Your remaining share stays the same but may be worth less overall.
Can I move home?	You may be able to transfer the mortgage to a new property, subject to the lender's criteria. If you downsize, you may need to repay part of the loan.	You may be able to move, but the provider must approve the new property and agree to transfer the lease. This is not guaranteed.
What will I pay?	You may pay an adviser charge, legal fees, and provider fees. Some costs may be paid upfront or added to the loan. Early repayment charges may apply if you repay early.	You may pay legal and provider fees. You do not pay loan interest, but you permanently give up part of your property's value.
Does it affect benefits or tax?	Money released can affect means tested benefits. The money you receive is usually not taxed, but this depends on your circumstances.	Money released can affect means tested benefits. The money you receive is usually not taxed, but this depends on your circumstances.
What are the key risks?	The amount owed can increase over time if interest is added, reducing the equity left in your home and limiting future flexibility, such as moving or repaying early.	You permanently give up part of your home, and the provider benefits from any increase in value on the share they own.

We're here to help you

We take pride in offering a personal service that considers your individual circumstances. Your financial situation is unique, so we work hard to understand your goals and aspirations.

Whatever your need for releasing equity, we will provide a complete advice package to ensure you make the right choice.

Your adviser will consider the following when determining the appropriate solution for you:

- What your motivations and needs are for releasing equity.
- How you wish to receive the money, for example, ongoing or in a lump sum.
- How you wish to service the interest, for example, pay it monthly or roll it up into the loan.
- The proposed interest rate, fees, and charges.
- Whether early repayment charges and how long they apply for are important to you.
- The importance of providing an inheritance and the selection of a solution which offers a no negative equity guarantee, or a means of paying the ongoing interest.
- Whether you want to be able to release further equity in the future. Drawdown solutions that allow you to take an initial lump sum but with a facility to take more later.

Your home may be repossessed if you do not keep up repayments on a mortgage or any other debt secured on it.
Equity release, including lifetime mortgages and home reversion plans, will reduce the value of your estate and can affect your eligibility for means tested benefits.



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